



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

NUMBER: : 108.12.178:

CONVERSION DATE: July 1, 1998

**This ETA is cancelled effective February 2, 2009 and reissued under the 3000 series.
See ETA 3001 for a cross-reference to the new series.**

RENTAL VALUE OF A ONE-USE ARTICLE

Issued July 29, 1966

Where an article of bailment has only one use, what will be the measure of the fair rental value?

The taxpayer was engaged in the business of making steel castings of a specified size and shape for its customers. The taxpayer purchased the patterns it used from suppliers and charged its customers separately for the cost of the patterns. The patterns were turned over to the customers if they requested them -- otherwise they were held by taxpayer for use on re-orders or discarded. The taxpayer claimed he was exempt from the Sales Tax because the patterns were purchased for resale to his customers, but conceded liability for the Use Tax as a bailee. However, taxpayer claimed that as a bailee he was liable only for the reasonable rental value of the patterns, rather than the full value.

For Use Tax purposes, RCW 82.12.010(1) allows a taxpayer to use the reasonable rental value of articles used in computing "value of the article used" when such articles are acquired by bailment.

Conceding that the Use Tax, rather than Sales Tax, was applicable, the Commission held that the reasonable rental value of the articles used was the full value of the article when its only use occurred during the bailment period. Where the nature of the article is such that there can be only one user, the fair value of the use is the full value of the article.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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